

20 January 2021

Eyeopener

Quiet Tuesday

Janet Yellen wants to "act big" with US fiscal support
 Zloty stable, EURUSD slightly higher
 Domestic yields unchanged, Bund spread up a bit
 Today euro zone inflation, Joe Biden's inauguration

On Tuesday the European stock markets fell slightly (by about 0.5%) and US equities were stable during the day (yet today in the morning futures are posting some gains after speech of Janet Yellen). After the US long weekend the UST yields climbed by 2 bps to 1.11%, German Bund went up by a similar scale to -0.53%. The dollar lost somewhat supporting the EM currencies and commodities (oil price up by 2%). In Germany we got to see the ZEW index, which posted a major gain in January markedly above expectations, moving to 61.8 from 55.0 in the previous month. On Tuesday evening Janet Yellen, the former Fed chair, testified before the US Senate as the main candidate for Treasury Secretary. Yellen confirmed that she backs strong fiscal stimulus to support the economy. According to Yellen, the smartest thing to do is to "act big" given a recession that can become even more prolonged and painful and amid record low interest rates. She gathered that the US fiscal condition is good enough to afford a stimulus that will put the US economy back on track and will lead to a lower the debt burden in the long run than no action now. The Italian government of Giuseppe Conte won the Senate's vote of confidence and will be now looking for new partners in order to build new coalition. Today Joe Biden will be sworn in to be the 46. President of the US., hopefully with no riots.

EURUSD soared on Tuesday by 0.6%, to 1.213 and today in the morning it was already above 1.215 and thus cancelled most of the drop recorded earlier this year – it is now only 0.7% lower YtD. Problems of ruling coalition in Italy did not weigh on the euro exchange rate.

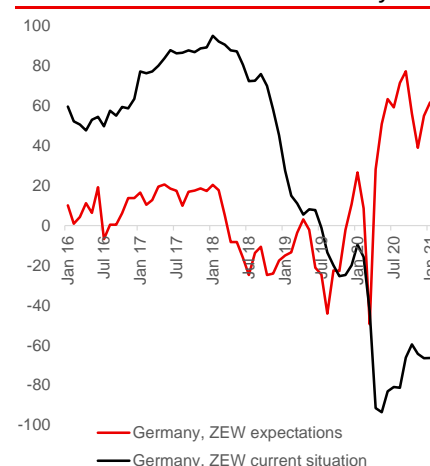
EURPLN did not change much yesterday at close (4.534), compared to Monday. But during the day the rate approached 4.54 and then it was trying to break through 4.524 twice. The daily amplitude was 0.3%.

Elsewhere in the **CEE region**, EURHUF fell 0.4% continuing the Monday's drop. The two-day decline (vs Friday's close) amounted to 0.6%. EURCZK rose 0.1% to 26.2. Czech December PPI was at 0.0% y/y, in line with expectations. Price of Brent oil rose nearly 2% amid weaker dollar while the fundamental factors were not supportive (IEA cut forecasted demand for oil). The ruble basket rose 0.4%, USDRUB fell 0.2% to 73.8.

On the domestic **interest rate market** Tuesday was pretty calm, FRA3x6 remained unchanged 0.14% (vs 3M WIBOR at 0.21%) while FRA6x12 returned to 0.21%. 5Y and 10Y IRS were stable at 0.65% and 1.17%, respectively. Bond yields did not change either with the 10Y benchmark traded near 1.17%. The PL-DE bond yield spread fell to 171bp amid slightly higher Bund yield.

Today the NBP will hold a first bond repurchase auction this year.

ZEW sentiment indicators for Germany



Source: ZEW, Santander

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FX market

Today's opening

EURPLN	4.5304	CZKPLN	0.1729
USDPLN	3.7270	HUFPLN*	1.2526
EURUSD	1.2151	RUBPLN	0.0508
CHFPLN	4.1952	NOKPLN	0.4379
GBPPLN	5.0901	DKKPLN	0.6084
USDCNY	6.4667	SEKPLN	0.4469

*for 100HUF

Last session in the FX market

19.01.2021

	min	max	open	close	fixing
EURPLN	4.520	4.538	4.525	4.530	4.534
USDPLN	3.731	3.751	3.742	3.736	3.742
EURUSD	1.208	1.214	1.210	1.212	-

Interest rate market 19.01.2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
WS0922 (2Y)	0.09	-1
DS0725 (5Y)	0.40	1
DS1030 (10Y)	1.18	-1

IRS on the interbank market**

Term	PL	US	EZ
	%	%	%
	Change (bps)	Change (bps)	Change (bps)
1L	0.16	0	0.21
2L	0.23	0	0.22
3L	0.34	0	0.28
4L	0.50	0	0.38
5L	0.65	0	0.51
8L	0.99	-1	0.89
10L	1.18	0	1.08

WIBOR rates

Term	%	Change (bps)
O/N	0.10	1
T/N	0.08	-1
SW	0.11	0
2W	0.17	0
1M	0.19	0
3M	0.21	0
6M	0.25	0
1Y	0.25	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	0.18	0
3x6	0.14	1
6x9	0.16	0
9x12	0.14	-1
3x9	0.19	1
6x12	0.21	3

Measures of fiscal risk

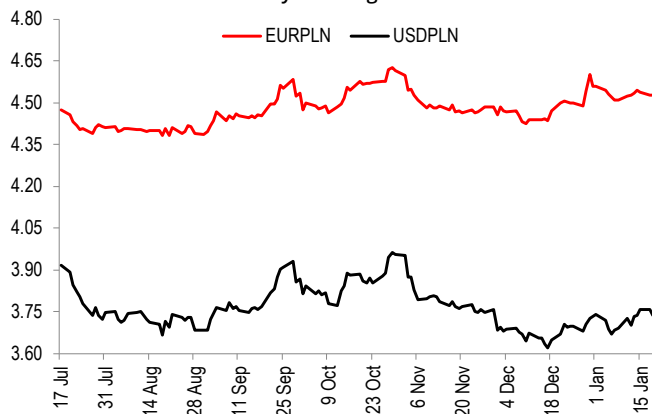
Country	CDS 5Y USD	10Y spread*
	Level	Level
	Change (bps)	Change (bps)
Poland	50	0
France	7	0
Hungary	64	0
Spain	41	-2
Italy	65	-3
Portugal	26	-2
Ireland	12	0
Germany	8	0

* 10Y treasury bonds over 10Y Bunds

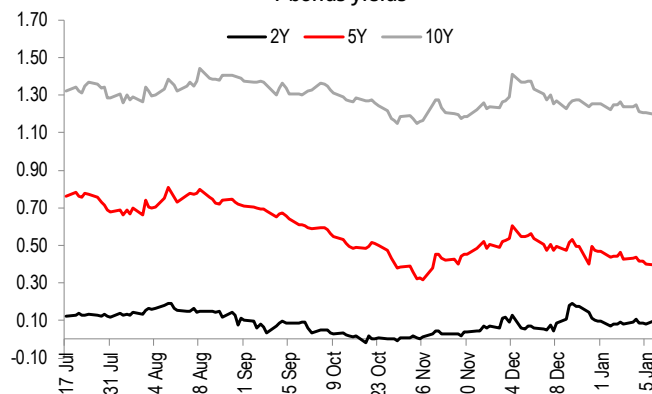
**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream

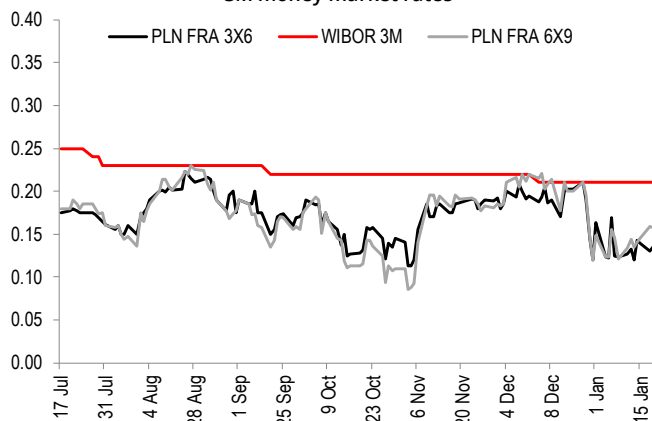
Zloty exchange rate



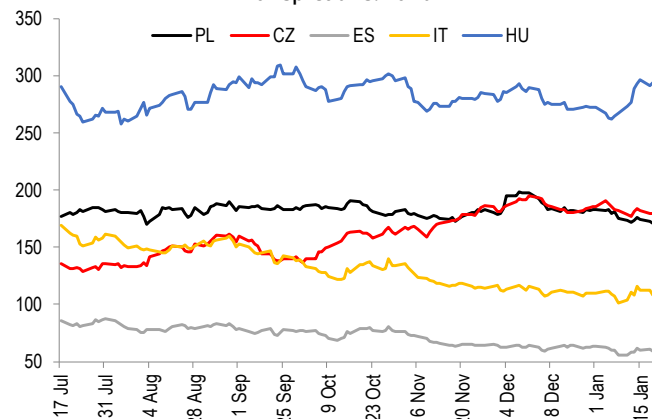
T-bonds yields



3M money market rates



10Y spread vs. Bund



Economic Calendar

Economic Calendar								
TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST MARKET	SANTANDER	ACTUAL VALUE	LAST VALUE*
FRIDAY (15 January)								
10:00	PL	CPI	Dec	% y/y	2.3	2.3	2.4	3.0
14:30	US	Retail Sales Advance	Dec	% m/m	0.0		-0.7	-1.4
15:15	US	Industrial Production	Dec	% m/m	0.5		1.6	0.5
16:00	US	Michigan index	Jan	pts	79.5		79.2	80.7
MONDAY (18 January)								
14:00	PL	CPI Core	Dec	% y/y	3.7	3.7	3.7	4.3
TUESDAY (19 January)								
08:00	DE	HICP	Dec	% m/m	0.6		0.6	0.6
11:00	DE	ZEW Survey Current Situation	Jan	pts	-68.3		-66.4	-66.5
WEDNESDAY (20 January)								
11:00	EZ	HICP	Dec	% y/y	-0.3		-	-0.3
THURSDAY (21 January)								
10:00	PL	Employment in corporate sector	Dec	% y/y	-1.1	-1.1	-	-1.2
10:00	PL	Average Gross Wages	Dec	% y/y	4.7	4.7	-	4.9
13:45	EZ	ECB Main Refinancing Rate	Jan.21	%	0.0		-	0.0
14:30	US	Initial Jobless Claims	Jan.21	k	788		-	965
14:30	US	Housing Starts	Dec	% m/m	1.06		-	1.2
14:30	US	Index Philly Fed	Jan		12.0		-	9.1
FRIDAY (22 January)								
09:30	DE	Germany Manufacturing PMI	Jan	pts	58.0		-	58.3
09:30	DE	Markit Germany Services PMI	Jan	pts	46.0		-	47.0
10:00	EZ	Eurozone Manufacturing PMI	Jan	pts	54.9		-	55.2
10:00	EZ	Eurozone Services PMI	Jan	pts	45.5		-	46.4
10:00	PL	Construction Output	Dec	% y/y	-0.6	-3.2	-	-4.9
10:00	PL	PPI	Dec	% y/y	0.0	0.0	-	-0.2
10:00	PL	Retail Sales Real	Dec	% y/y	1.3	-3.8	-	-5.3
16:00	US	Existing Home Sales	Dec	% m/m	-2.1		-	-2.5

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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